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FM AMEMBASSY BUENOS AIRES  
TO RUEHC/SECSTATE WASHDC 9187  
INFO RUEATRS/DEPT OF TREASURY WASHINGTON DC  
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RUEHAC/AMEMBASSY ASUNCION 6546  
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SENSITIVE

TREASURY PASS IRS FOR HLOUIE, BKISSEL and FNG  
EB/IFD/OIA FOR WSCHOLZ  
TREASURY FOR LTRAN AND MMALLOY  
E FOR THOMAS PIERCE  
PASS FED BOARD OF GOVERNORS FOR PATRICE ROBITAILLE  
PASS USTR FOR DUCKWORTH  
USDOC FOR 4322/ITA/MAC/OLAC/PEACHER  
US SOUTHCOM FOR POLAD

E.O. 12958: N/A

TAGS: ECON EFIN KTFN AR

SUBJECT: ARGENTINE TAX AUTHORITY SEEKS CLOSER TIES WITH IRS AND  
BILATERAL TAX INFORMATION EXCHANGE AGREEMENT

Ref: Buenos Aires 619

¶1. This is an Action Request for the Department of Treasury/IRS.  
See paragraphs 2 and 8.

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Summary  
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¶2. (SBU) The Argentine revenue authority, AFIP, wants to negotiate a Tax Information Exchange Agreement (TIEA) with the IRS. Responding to earlier U.S. Treasury guidance that a TIEA could only be negotiated as part of a broader Bilateral Income Tax Treaty (BITT), AFIP Director Alberto Abad reminded Ambassador that the US had, in fact, recently signed a TIEA with Argentina's Mercosur partner Brazil based only on the promise of future BITT negotiations. He argued that the exchange of Argentine and U.S. tax data would serve not only the interests of both nations' tax authorities, but also further our joint priorities in combating money laundering and terrorist finance. He suggested that initial exchanges of tax information could be routed through the jointly managed U.S./ICE/AFIP Trade Transparency Unit. AFIP sees the U.S. IRS as a model to be emulated and seeks a closer working relationship through a bilateral accord. AFIP will shortly place an attache at Argentina's Miami consulate to better coordinate with U.S. Customs authorities on the Container Security Initiative and also to better coordinate with IRS authorities. Post requests that senior IRS officials planning to attend the October 2007 International Tax Dialogue Conference in Buenos Aires come prepared to engage and educate GoA officials on U.S. TIEA and BITT priorities and protocols.

End Summary

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Seeking a TIEA to Expand AFIP Cooperation with USG  
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¶3. (SBU) In a September 4 meeting with Ambassador, the head of

Argentina's revenue authority (AFIP) Director Alberto Abad re-iterated his original March 2007 (reftel) request that the U.S. and Argentina negotiate a Tax Information Exchange Agreement (TIEA).

Responding to earlier Embassy explanations (based on guidance received from the U.S. Treasury Tax Treaty Office) that a TIEA could only be negotiated as part of a broader Bilateral Income Tax Treaty (BITT), Abad noted that the US had, in fact, recently signed a TIEA with Argentina's Mercosur partner Brazil based only on the promise of future BITT negotiations. AFIP is in regular contact with its Mercosur equivalents, he noted, and has already negotiated cooperation and information exchange agreements with a number of other national tax authorities, including those of Brazil, China (in 2006), and Italy (recently in 2007). He also noted close tax authority cooperation with Brazil and Chile and close Customs cooperation with Uruguay and Paraguay.

4. (SBU) Abad and his DGI Tax Director (equivalent to IRS Commissioner) Horacio Castagnola noted current strong and successful AFIP cooperation with U.S. ICE on the Container Security Initiative and on their joint Trade Transparency Unit (TTU). They argued that the exchange of tax data would serve not only the interests of both nations' tax authorities, but also further our joint priorities in combating money laundering and terrorist finance.

¶5. (SBU) Abad suggested that initial exchanges of requests of individual or company-specific tax information could be flowed through the already active TTU jointly run by AFIP's Customs bureau and ICE. He noted that DGI tax officials will shortly be assigned to join their Customs colleagues in manning the TTU.

¶6. Background: Following AFIP's March 2007 TIEA information request, EconCouns contacted U.S. Treasury Tax Treaty officer Henri Louise who provided background on USG BITT protocols and models as

well as on the USG's 2007 negotiation of a TIEA with Brazil. At the request of AFIP Tax Director Castagnola, EconCouns then presented copies of the 1998 U.S./Venezuela BITT and the 2006 model tax treaty. Also at AFIP's request, EconCouns met on this issue with the Ministry of Economy's Undersecretary for Public Revenue Mario Presa, whose office develops broad GoA tax policy guidelines. On August 27, the GoA's Ministry of Economy Washington rep Jorge Heilpern and Washington Embassy DCM Jose Gabolindo met with Treasury Tax Treaty officers Kissel and Louise for exploratory discussions on the potential to negotiate a Bilateral Income Tax Treaty (BITT).

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AFIP Seeks Closer Ties with U.S. IRS  
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¶7. (SBU) Argentina does have some contact with the U.S. IRS now though Argentina's membership in the Inter-American Center for Tax Administration (Centro Inter-Americano de Administracion Tributario, which includes Latin nations and the U.S., Canada, Spain, Italy, France, Luxembourg and South Africa as members). But, according to Abad, AFIP sees the U.S. IRS as a model to be emulated and seeks a closer working relationship through a bilateral accord. AFIP will shortly place an attache at Argentina's Miami consulate to better coordinate with U.S. Customs authorities on CSI initiatives, Abad said, and also hopefully to better coordinate with IRS authorities.

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ACTION REQUEST  
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¶8. (SBU) Post has received country clearance requests for IRS Commissioner of the Large & Mid-Size Business Division Frank Ng and Commissioner of the Small Business/Self Employed Division Kathy Petronchak to attend the International Tax Dialogue Conference to be held in Buenos Aires October 15-19. While post understands that these officials' current responsibilities lie in the administration of existing tax treaties rather than in their negotiation, it would be helpful if the IRS delegation comes prepared to (1) discuss existing U.S. BITTs with Mexico and Venezuela; and (2) discuss other ways in which AFIP and the IRS can cooperate and work together to expand ties.

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